

Message Text

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ACTION AGR-20

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COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

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SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03

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DEPT PASS AGRICULTURE FAS

BERN FOR AGATT

E.O. 11652: N/A

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SUBJECT: EFFECT OF ENERGY SITUATION ON AGRICULTURAL TRADE

REF: FASTO CIRCULAR 296; STATE 005278

1. SUMMARY: INTERNATIONAL TRADING COMPANIES WITH HEADQUARTERS
IN GENEVA DEALING IN AGRICULTURAL PRODUCTS BELIEVE ENERGY
SITUATION SHOULD HAVE NO MEASURABLE IMPACT ON TRADE.
PERIODICAL TIE-UPS OR DELAYS IN SHIPMENTS
MAY OCCUR. THEY ARE LIKELY TO BE DUE MORE TO LACK OF
SHIPPING SPACE THAN TO LACK OF BUNKER OIL. END SUMMARY.

2. FOLLOWING MAJOR POINTS EMERGED FROM DISCUSSION WITH KEY
COMPANY OFFICIALS OF TRADAX, FINAGRAIN, OLEOTRADING AND
AGATT ON ENERGY SITUATION AND ITS PROBABLE EFFECT ON TRADE
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IN AGRICULTURAL COMMODITIES:

3. SITUATION DURING FIRST HALF JANUARY HAS MARKEDLY IMPROVED. KEY OFFICERS OF MAJOR INTERNATIONAL COMPANIES TRADING IN AGRICULTURAL PRODUCTS POINT OUT DIFFICULTIES EXPERIENCED LAST NOVEMBER AND DECEMBER APPEARED TO BE ONLY TEMPORARY AND ARE LARGELY SOLVED. SHIPS SEEM TO HAVE NO MAJOR PROBLEMS OBTAINING BUNKER OIL, NO SERIOUS TIE-UPS REPORTED IN KEY PORTS, AND PANIC BUYING BY EUROPEANS AND JAPANESE (FRONT-END LOADING) TO BEAT EXPECTED HIGHER COSTS OF SHIPPING AND ANTICIPATED SHORTAGES HAVE SUBSIDED. AS REACTION TO HECTIC YEAR-END SITUATION, MARKETS AT PRESENT ARE RELATIVELY CALM. BUYERS APPEAR TO BE GETTING USED PAYING HIGHER PRICES INCLUDING HIGHER SHIPPING COST, AND BUNKER OIL NOW APPEARS TO BE AVAILABLE IN MOST KEY PORTS BUT OF COURSE AT SHARPLY HIGHER PRICES.

4. THERE IS GENERAL BELIEF PROBLEM OF ENERGY CRISIS IS PART OF MUCH BROADER PROBLEM: WORLD-WIDE INFLATION. OIL PRICES SIMPLY FOLLOWED UPWARD TRENDS IN PRICES OF OTHER RAW MATERIALS INCLUDING AGRICULTURAL COMMODITIES.

5. GRAIN TRADE BELIEVES REAL PROBLEM IS TIGHT SUPPLY OF GRAIN AND NOT LACK OF SHIPPING SPACE OR LACK OF BUNKER OIL. ONE COMPANY EXECUTIVE REMARKED THAT WHETHER U.S. WILL EXPORT 1 BILLION OR 1.2 BILLION BUSHELS OF WHEAT DURING CURRENT YEAR WILL DEPEND ON AVAILABILITY OF U.S. WHEAT AND NOT ON AVAILABILITY BUNKER OIL OR ITS PRICE. EUROPEAN TRADERS CAN NOW SELL ALL GRAIN THEY CAN FIND AND WILL DELIVER IT EVENTUALLY. PERIODICAL DELAYS IN SHIPMENTS TO CERTAIN DESTINATIONS CAN OCCUR HOWEVER. IN SOME AREAS SUCH AS SOUTH EAST ASIA BUNKER OIL MAY STILL BE A PROBLEM.

6. ATTITUDE TRADERS IN VEGETABLE OILS SIMILAR. ONE COMPANY OFFICIAL EXPLAINED SINCE FOOD IS PRIORITY COMMODITY ALL OVER THE WORLD, NO OIL MILLS SUFFERED DIRECTLY OR REDUCED OPERATION IN EUROPE BECAUSE LESS FUEL. HE THOUGHT BUNKER SITUATION LATE LAST YEAR WAS EXAGGERATED SINCE HIS COMPANY HAD NO DIFFICULTIES FINDING SHIPS AT HIGHER PRICE. AFTER INITIAL PANIC IN DECEMBER IN RESPONSE TO SHARPLY INCREASED OIL PRICES AND SHIPPING COSTS SITUATION IN FIRST TWO WEEKS JANUARY IMPROVED SUBSTANTIALLY: TRADE APPEARS TO BE MOVING LIMITED OFFICIAL USE
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NORMALLY AND SHIPPING CHARGES IN SOME INSTANCES HAVE EVEN STARTED COME DOWN SLOWLY. BASSIN

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